Types of industry and business organizations

Chapter 7

Lesson OBJECTIVES

01
distiguish the different services and products of business and industryin the locality;

02
identify the types of industry;

03
differentiate between agribusiness, manufacturing, reatil and service industries;

04
enumerate the different types of business organizations; and

05
Cite the advantages and disadvantages of business organizations

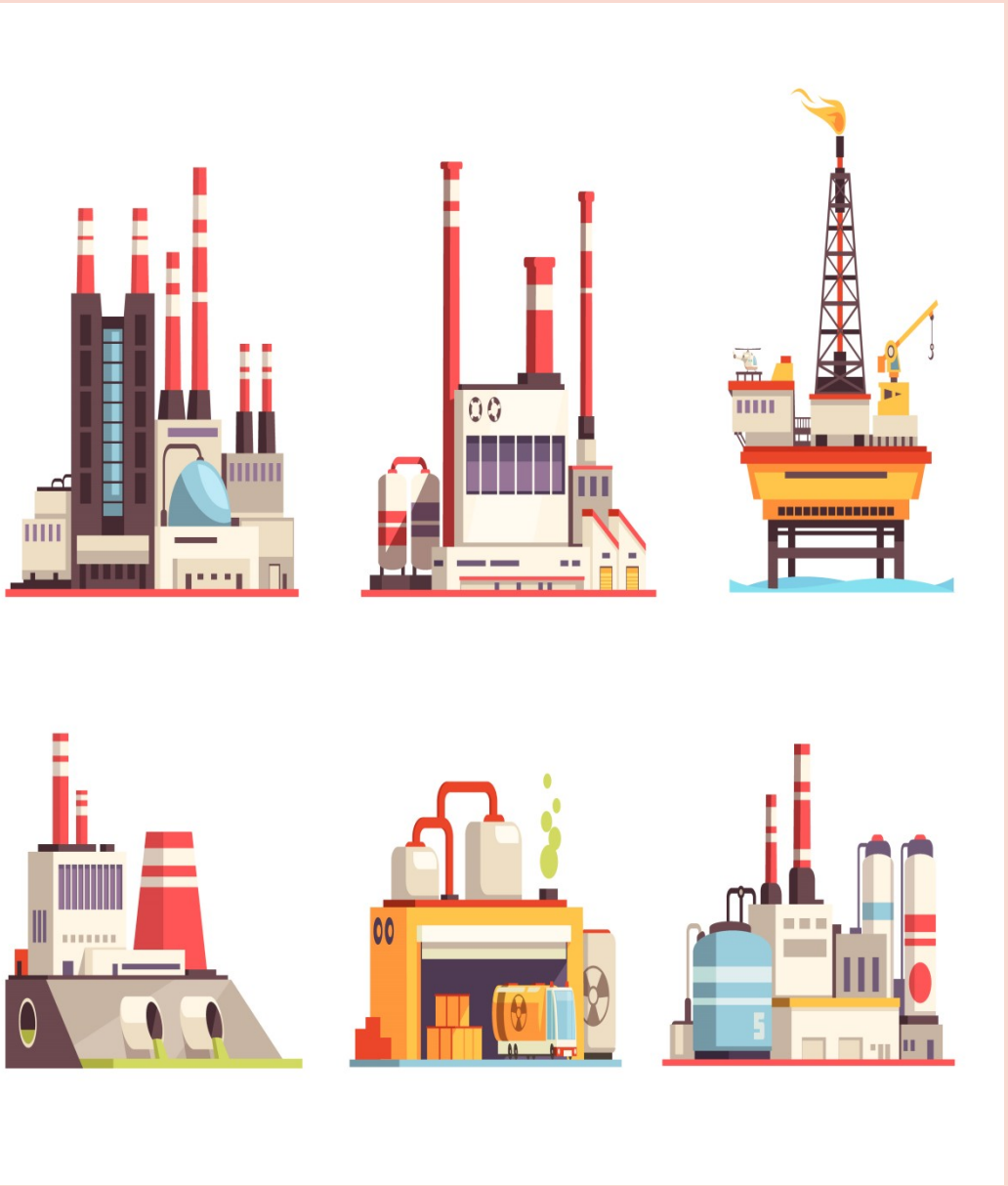
industry

A classification that refers to groups of companies that are related based on their primary business activities

Modern economics

Dozens of industry classifications are typically grouped into larger categories called sectors.

Industries group similar businesses based on the primary product produced and can be used to isolate businesses from those who participate in different activities.

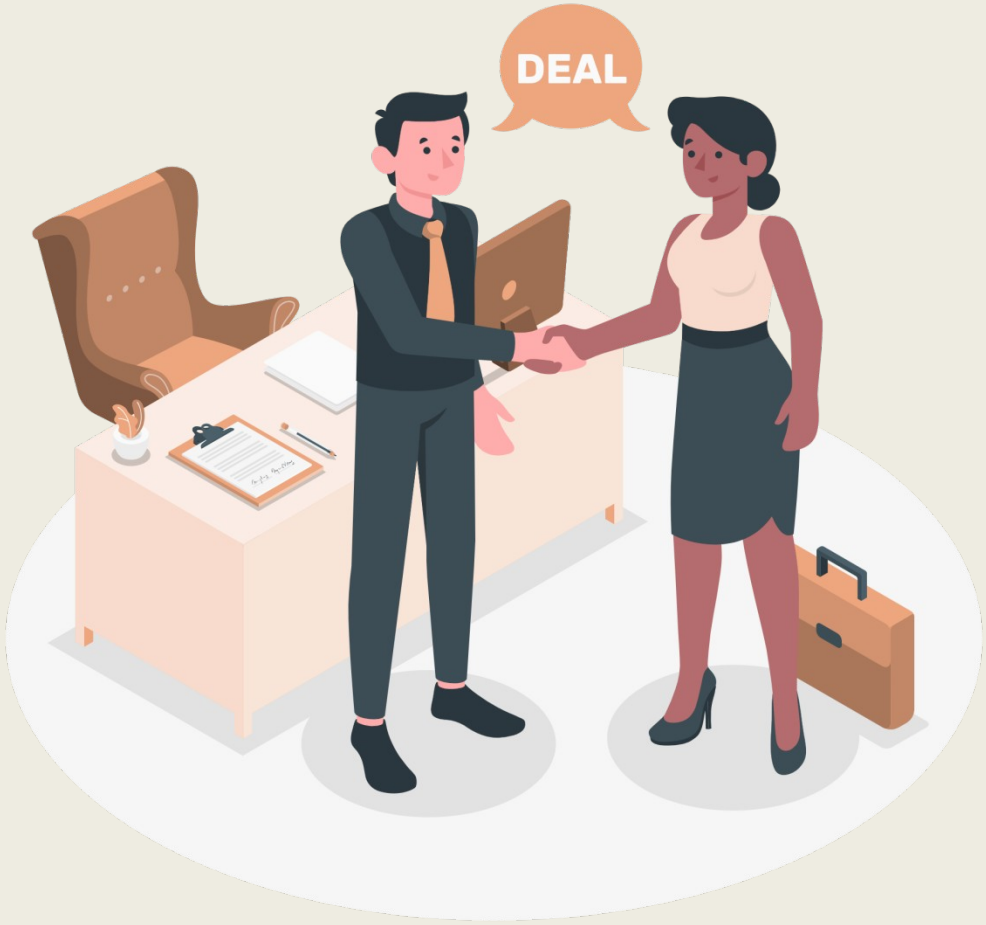


Both sectors and industries are classification systems used to group similar business operations.

- Sectors are broader than industries

Stocks of companies operating within the same industry tend to have similar stock price

- May rise or fall as a group because of the same overlying factors
- Events relating to just one particular business causes the associated stock to rise or fall separately from others within the industry



Types of industry

agribusiness

agribusiness

01

The business sector encompassing farming and farming-related commercial activities.

02

Involves all the steps required to send an agricultural good to market: production, processing, and distribution.

03

Treats the different aspects of raising agricultural products as an integrated system

- **Farmers applied sophisticated harvesting technologies(ex. For direct operating operations**
- **Manufacturers develop more efficient machines**
- **Processing plants determine the best way to clean and package livestock for shipping**

Market forces affects the agribusiness

Changes in consumer taste

Business unable to rapidly change in accordance to domestic demands may fails, they may not be able to stay in business.

Pressure from global competition

Remaining competitive requires agribusiness to operate more efficiently (investments on technologies & searching for new ways of commecting to the global market).

Manufacturing Industry

Manufacturing is the creation and assembly of components and finished products for sale. Example of manufacturers in the Philippines are Alaska Milk Corporation, Universal Robina, Zest-O, and San Miguel Corporation.

Types of Manufacturing Production

According to Investopedia (2016), the following are the types of manufacturing production.

- **Make to Stock (MTS)**. This strategy is based on demand forecast, so it makes the most sense when demands can be predicted with reasonable accuracy. Companies can lose money with this strategy if they manufacture too much or too little.

- **Make to Order (MTO)**. It allows customers to order products built to their specifications. Companies alleviate inventory problems with MTO, but customer wait time is usually longer.

- **Make to Assemble (MTA)**. It is a hybrid of the two: companies stock basic parts based on demand predictions, but do not assemble them until customers place their orders and can offer customization.

RETAIL INDUSTRY

Retail Industry

- **Retail** refers to individual investors who buy and sell securities for their personal account, and not for another company or organization. It is known as an “individual investor” or “small investor”. Retail investors buy in much smaller quantities than larger institutional investors (Investopedia 2016).

SERVICE INDUSTRY

Service Industry

- **Service** Industry is that part of the economy that creates service rather than tangible objects. Economists divide all economic activities into two broad categories, goods and services. Goods-producing industries are agriculture, mining, manufacturing, and construction; each of them creates some kind of tangible object. Service industries include everything else – banking, communications, wholesale, and retail trade, all professional services such as engineering, computer - software development, and medicine nonprofit economic activities, all consumer services, and all government services, including defense and administration of justice. A service –dominated economy is characteristics of developed countries. In less –developed countries, most people are employed in primary activities such as agriculture and mining.

Service Industry

- The simplest explanation for the growth of service industries is that goods production has become increasingly mechanized. Because machines allow a smaller workforce to produce more tangible goods, the service functions of distribution, management, finance, and sales become relatively more important, Growth on service sector also results form a large increase in government employment (Britannica.com 2016).

Business organization

Identify the legal structure that will best suit the demands of the venture is necessary for prospective entrepreneurs.

IMPORTANT FACTORS WHEN EXAMINING BUSINESS ORGANIZATIONS:

- How easily the form of business organization can be implement.
- The amount of capital required to implement it.
- Legal considerations

Types of business organizations

According to Kuratko (2012) the three primary legal forms of organization are sole proprietorship, partnership and corporation (with specific advantages and disadvantages).

Sole proprietorship

- **A business that is owned and operated by one person.**
- **Does not exist from its owner.**

Has the right to all profits and bears all of the liability for debts and obligations.

- **The most widely used legal form of organization (ex. Sari-sari store)**

Sole proprietorship

advantages

1. Ease of formation
2. Sole ownership of profits
3. Decision making and control vested in one owner
4. Flexibility
5. Relative freedom from governmental control
6. Freedom from corporate business taxes

disadvantanges

1. Unlimited liability
2. Lack of continuity
3. Less available capital
4. Relative difficulty in obtaining long-term financing
5. Relative limited viewpoint and experience

partnership

- **Association of two or more persons who act as co-owners of a business for profit.**
- **each partner must assume equal sharing of profits, losses, assets, management and other aspects of the business unless written articles of partnership is provided.**

An outline of the financial and managerial contribution of the partners and carefully delineate the roles in the partnership relationship, including such items as duration of agreement, character of partners, division of profits and losses, salaries, death of a partner, authority, settlement of disputes, and additions, alterations or modifications of partnership.

Partnerships

Advantages	Disadvantage
1. Ease of information. 2. Direct Rewards. 3. Growth and performance are facilitated. 4. Flexibility . 5. Relative freedom form governmental control and regulation. 6. Possible tax	1. Unlimited liability of at least one partner. 2. Lack of community. 3. Relative difficulty in obtaining large sums of capital. 4. Bound by the acts of just one partner. 5. Difficulty of disposing partnership interest.

corporation

- An artificial being, invisible, intangible, and existing only in contemplation of the law
- A separate legal entity apart from individual who own it
- Created by the authority of state laws and usually formed when a transfer of money or property by prospective shareholders (owners) takes place in exchange for capital stock (ownership certificates)

Examples corporation

- **Jollibee Food Corporation**
- **Fortune Tobacco Corporation**

Required Procedures:

1.Subscriptions for capital stock must me taken & a tentative organization created
2.Approval must be obtained from the government

Examples of corporation

corporation

advantages

1. **Limited liability**
2. **Transfer of ownership**
3. **Unlimited life**
4. **Relative ease of securing capital in large amounts**
5. **Increased ability and expertise**

disadvantanges

1. **Activity restrictions**
2. **Lack of representation**
3. **Regulation**
4. **Organizing expenses**
5. **Double taxation**

Multinational corporation

- A corporation that has manufacturing or service in a number of different countries.
- A multinational have the ability to move resources, goods, services, and financial capital across the border.

Examples of multinational company

Multinationals

Advantages	Disadvantages
1. Help spread new technologies.	1. Political influence in host nation.
2. Help generate new jobs in a country.	2. Can exploit the economy of host nation.
3. Produce tax revenues.	3. Take away jobs.

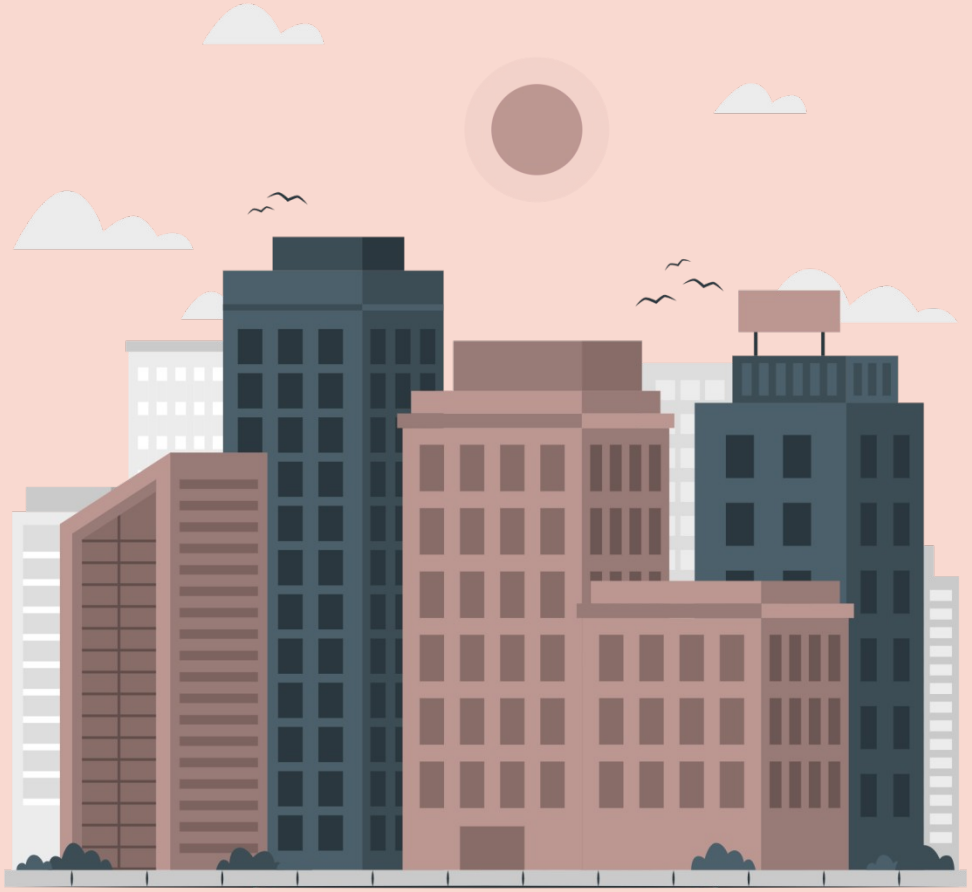
conglomerates

- A firm that has at least four businesses each making unrelated products, none of which is responsible for a majority of its sales

Examples of conglomerates

- **JG Summit**
- **SM Holdings**
- **The Ayala Corporation**

One of the Philippines oldest and biggest conglomerates which has a business interests in real estate (Ayala Land), banking (BPI), telecommunications (Globe Telecom), and infrastructure (Manila Water)



Examples of conglomerates

conglomerates

advantages

1. **Helps the company in diversification**
2. **Enough opportunities for growth**
3. **Increase the number of customers**

disadvantanges

1. **Chances of mismanagement for lack of experience**
2. **Shifting of focus from its core business**
3. **Difficulty in merging cultural value**

Thank you for listening!